

# Financial Services

## Offshore Insurance Alert

Bermuda

PRICEWATERHOUSECOOPERS 

### IRS Issues Further Guidance on Adjustments to the Housing Limitation for Specific Locations February 28, 2007

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Alert Number: 07-02

The Internal Revenue Service recently issued Notice 2007-25 (which supplements Notice 2006-87 – see Offshore Insurance Alert 06-05) which provides cost of living adjustments to the deduction limitation for housing costs incurred by U.S. expatriates residing in specific geographic areas. The Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”) changed the calculation of the deduction for housing costs incurred for U.S. expatriates living abroad. TIPRA provided that the IRS would review jurisdictions whose cost of living was higher than the U.S. and adjust the housing cost amount accordingly. TIPRA was effective for tax years beginning on or after January 1, 2006.

The daily per diem established for residents of Hamilton, Bermuda was increased to \$197.26 or \$72,000 per year in Notice 2007-25. However, the Notice limited the daily per diem established for Bermuda residents living outside of Hamilton, Bermuda to \$71.78 or \$26,200 per year. Based upon phone discussions with the Internal Revenue Service, the Service plans to issue a revision to Notice 2007-25 which increases the daily per diem for all U.S. expatriates residing in Bermuda to \$197.26 or \$72,000 per year. The change is effective for tax years beginning on or after January 1, 2006.

Notice 2006-87 does provide that taxpayers are invited to provide comments to the Service with respect to the method used in computing the limitations provided for in the Notice where the costs differ significantly from the costs used in the Notice. Comments may be submitted in writing to CC:PA:LPD:PR (Notice 2006-87), Room 5203, Internal Revenue Service, PO Box 7604, Washington, D.C. 20044. The Service will also accept comments via email at the following email address: [Notice.comments@irs.counsel.treas.gov](mailto:Notice.comments@irs.counsel.treas.gov). The Notice number should be included on the Subject Line.

For additional information, please contact your PricewaterhouseCoopers Tax Management Team member: Rick Irvine at 441-299-7136 ([richard.e.irvine@bm.pwc.com](mailto:richard.e.irvine@bm.pwc.com)), Laurie Bailey at 441-299-7104 ([laurie.bailey@bm.pwc.com](mailto:laurie.bailey@bm.pwc.com)) or Bill Bellew at 441-299-7107 ([bill.bellew@bm.pwc.com](mailto:bill.bellew@bm.pwc.com)).

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